

**Housing Authority of the
City of Morgan City
Morgan City, Louisiana**

**General Purpose Financial Statements and
Independent Auditors Reports
As of and for the Year Ending September 30, 2001
With Supplemental Information Schedules**

RUSSELL J. RECOTTA, JR., CPA

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Mandeville, Louisiana 70471**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/10/02

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INDEPENDENT AUDITOR'S REPORT
QUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Commissioners
The Housing Authority of the City of Morgan City
Morgan City, Louisiana

I have audited the accompanying general purpose financial statements of The Housing Authority of the City of Morgan City (PHA) as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the PHA's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Because of the inadequacy of accounting records, I was unable to form an opinion regarding the amounts at which fixed asset costs are recorded in the accompanying balance sheet and revenues and expenditures statement as of

and for the period ending September 30, 2001. In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had records concerning fixed asset costs been adequate, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the PHA as of September 30, 2001, and the results of its operations for the year then ended in conformity with general accepted accounting principals. Also, the Board of Commissioners refused to sign the Louisiana Compliance Questionnaire for the audit period.

In accordance with Government Auditing Standards, I have also issued a report dated March 27, 2002 on my consideration of the PHA's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary concerning fixed asset costs, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.



Signature Valid

Russell J. Recotta, Jr.

Digitally signed by
Russell J. Recotta, Jr.
DN: cn=Russell J.
Recotta, Jr., c=US
Date: 2002.03.29
13:34:22 -06'00'

Russell J. Recotta, Jr., CPA

March 27, 2002

**Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combined Balance Sheet - All Funds
As of September 30, 2001**

EXHIBIT A
Page 1 of 1

Assets

Current Assets:

Cash and Cash Equivalents	\$ 188,916
Total Accounts Receivable, Net of Allowance for Doubtful Accounts	6,466
Investments - Unrestricted	-
Interprogram Due From	53,852
Prepaid Expenses and Other Assets	125,452
Inventories	1,157
Total Current Assets	<u>\$ 375,843</u>

Noncurrent Assets:

Total Fixed Assets, Net of Accumulated Depreciation	\$ 4,090,592
Other Assets	24,108
Total Noncurrent Assets	<u>\$ 4,114,700</u>

Total Assets	<u><u>\$ 4,490,543</u></u>
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Liabilities and Equity

Current Liabilities:

Accrued Compensated Absences	\$ -
Accrued Wage/Payroll Taxes Payable	8,643
Accounts Payable < 90 Days	30,407
Accounts Payable - HUD PHA Programs	88,301
Accounts Payable - Other Government	-
Tenant Security Deposits	29,861
Deferred Revenues	6,905
Current Portion of LT Debt - Capital Projects	-
Accrued Liabilities - Other	3,745
Interprogram Due To	53,852
Total Current Liabilities	<u>\$ 221,714</u>

Total Noncurrent Liabilities	184,330
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Total Liabilities	\$ 406,044
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Total Fund Equity	<u>\$ 4,084,499</u>
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Total Liabilities and Equity	<u><u>\$ 4,490,543</u></u>
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See notes to financial statements

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Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combined Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending September 30, 2001

EXHIBIT B
Page 1 of 1

Revenues:	
Net Tenant Rental Revenue	\$ 536,996
HUD PHA Grants	1,111,469
Capital Grants	138,161
Investment Income - Unrestricted	46
Other Revenue	72,875
Total Revenues	<u>\$ 1,859,547</u>
Operating Expenses:	
Administrative	\$ 361,343
Tenant Services	-
Utilities	446,914
Ordinary Maintenance & Operations	230,295
Protective Services	-
General Expenses	265,458
Total Operating Expenses Before Depreciation	<u>\$ 1,304,010</u>
Excess Revenue Over Expenses Before Depreciation	\$ 555,537
Extraordinary Maintenance	-
Casualty Losses - Non-Capitalized	(638)
Housing Assistance Payments	417,885
Depreciation Expense	630,557
Operating Transfers - In	18,151
Operating Transfers - Out	(18,151)
Net Operating Income (Loss) After Depreciation	<u>\$ (492,267)</u>
Beginning Equity @ 9/30/00	\$ 4,558,442
Net Operating Income (Loss) After Depreciation	(492,267)
Prior Period Adjustments	18,324
Capital Outlays	-
Ending Equity @ 9/30/01	<u>\$ 4,084,499</u>

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combined Statement of Cash Flows - All Funds
For Fiscal Year Ending September 30, 2001

EXHIBIT C
Page 1 of 1

Cash flows from operating activities:		
Net Operating Income (Loss)	\$ (1,080,259)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Gain) Loss on sale of equipment		
(Increase) Decrease in tenants accounts receivable	1,326	
(Increase) Decrease in accounts receivable HUD	108,670	
(Increase) Decrease in misc other assets	(14,213)	
(Increase) Decrease in prepaid items and other assets	(44,117)	
(Increase) Decrease in supplies inventory	(1,157)	
(Increase) Decrease in tenant security deposits (asset)	-	
(Increase) Decrease in item not traced	(765)	
Increase (Decrease) in accounts payable	(122,222)	
Increase (Decrease) in accounts payable wages	195	
Increase (Decrease) in accounts payable HUD	11,110	
Increase (Decrease) in accrued compensated absences	1,564	
Increase (Decrease) in tenant security deposits (liability)	(2,863)	
Increase (Decrease) in current liabilities	6,905	
Increase (Decrease) in noncurrent liabilities	149,514	
Net cash provided (used) by operating activities	<u>\$ (986,312)</u>	
Cash flows from noncapital financing activities:		
Federal grants	\$ 1,097,271	
State or local grants	-	
Net cash provided (used) from noncapital financing activities	<u>1,097,271</u>	
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (138,161)	
Soft Costs	(14,198)	
Proceeds from grants	152,359	
Net cash provided (used) for capital and related financing activities	<u>-</u>	
Cash flow from investing activities:		
Investment income (interest income)	\$ 46	
Net cash provided (used) by investing activities	<u>46</u>	
Net increase (decrease) in cash and cash equivalents	\$ 111,005	
Cash and cash equivalents at beginning of year	77,911	
Cash and cash equivalents at end of year (exhibit A)	<u>\$ 188,916</u>	
See notes to financial statements		-

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combined Statement of Revenues & Expenditures - Budget vs. Actual
Low Rent, Voucher, and Certificate Programs
For Fiscal Year Ending September 30, 2001

EXHIBIT D
Page 1 of 2

<i>Low Rent Public Housing</i>			
	Budget	Actual	Variance Actual-Budget Over (Under)
Revenues			
Local Sources:			
Total Tenant Rental Revenue	\$ 599,180	\$ 536,996	\$ (62,184)
Investment Income - Unrestricted	-	46	46
Receipts from Sale of Equipment	-	1,002	1,002
Other Revenue	-	71,873	71,873
Federal Sources:			
Operating Subsidy / HUD PHA Grants	713,776	564,262	(149,514)
Annual Contributions	-	-	-
Total Revenues	\$ 1,312,956	\$ 1,174,179	\$ (138,777)
Expenditures			
Administrative	\$ 161,930	\$ 200,042	\$ 38,112
Tenant Services	-	-	-
Utilities	689,246	446,914	(242,332)
Ordinary Maintenance & Operations	208,990	205,429	(3,561)
Protective Services	-	-	-
General Expenses	296,650	316,206	19,556
Nonroutine Maintenance	-	-	-
Capital Expenditures	-	-	-
Prior Year Adjustments	-	-	-
Housing Assistance Payments	-	-	-
Total Expenditures	\$ 1,356,816	\$ 1,168,591	\$ (188,225)
Excess Revenues (Deficiency) Over Expenses	\$ (43,860)	\$ 5,588	\$ 49,448

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combined Statement of Revenues & Expenditures - Budget vs. Actual
Low Rent, Voucher, and Certificate Programs
For Fiscal Year Ending September 30, 2001

EXHIBIT D
Page 2 of 2

	Section 8 Voucher Program			Section 8 Certificate Program		
	Budget	Actual	Variance Actual-Budget Over (Under)	Budget	Actual	Variance Actual-Budget Over (Under)
Revenues						
Local Sources:						
Total Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income - Unrestricted	46	-	-	-	-	-
Receipts from Sale of Equipment	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-
Federal Sources:						
Operating Subsidy / HUD PHA Grants	431,365	439,114	7,749	45,333	33,299	(12,034)
Annual Contributions	-	-	-	-	-	-
Total Revenues	\$ 431,411	\$ 439,114	\$ 7,749	\$ 45,333	\$ 33,299	\$ (12,034)
Expenditures						
Administrative	\$ 49,106	\$ 46,945	\$ (2,161)	\$ 11,519	\$ 11,012	\$ (507)
Tenant Services	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Ordinary Maintenance & Operations	-	-	-	-	-	-
Protective Services	-	-	-	-	-	-
General Expenses	-	2,161	2,161	-	507	507
Nonroutine Maintenance	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-
Prior Year Adjustments	-	-	-	-	-	-
Housing Assistance Payments	376,920	388,633	11,713	40,965	29,252	(11,713)
Total Expenditures	\$ 426,026	\$ 437,739	\$ 11,713	\$ 52,484	\$ 40,771	\$ (11,713)
Excess Revenues (Deficiency) Over Expenses	\$ 5,385	\$ 1,375	\$ (3,964)	\$ (7,151)	\$ (7,472)	\$ (321)

See notes to financial statements

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001

Housing Authorities are chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Morgan City, Louisiana. This creation was contingent upon the local governing body of the city, county, or parish as applicable. A five member Board of Commissioners governs the PHA. The members, appointed by the Mayor of Morgan City, contingent upon approval of the city council, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the US Department of HUD has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

NOTE A - FINANCIAL REPORTING:

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the PHA and its component units, entities for which the PHA is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the PHA's operations and data from these units, if any are combined with data of the PHA. Each discretely presented component, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the PHA. As of September 30, 2001, and for the fiscal then ended, the PHA had no discretely presented component units or any component units that are required to be blended in these financial statements.

(2) Accounting Principle

The PHA uses the governmental GAAP enterprise method of accounting.

The enterprise method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The enterprise method recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable.

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

Depreciation expense must be recognized for the enterprise method of accounting. Under the HUD regulatory method of accounting, depreciation was not recognized.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(3) Budgetary Data

The PHA is required by its HUD Annual Contributions Contract to adopt annual budgets for the Low Rent Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, U.S. government securities, and demand deposits.

(5) Tenant Receivables

Receivables for rental and service charges are reported in the General Fund, net of allowances for doubtful accounts.

(6) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized.

(7) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

(8) Inventory and Prepaid Items

All inventory items are valued at cost using first-in, first-out method, and inventory is recorded using the purchase method. At year-end, the amount of inventory is recorded for external financial reporting. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS:

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 2001. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized, uninsured and unregistered, but with securities held by the bank, its agent, pledged to the PHA, but not in the PHA's name.

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category 1	Category 2	Category 3
\$259,003	\$102,144	\$ -0-	\$156,859

Whereas the reconciled general ledger reflects a balance of \$188,916, the actual bank balances were \$259,003.

NOTE C - ACTIVITIES OF THE PHA:

At September 30, 2001, the PHA was managing 330 units of low-rent public housing under contract number FW-1403, a drug elimination program, section 8 rental voucher and rental certificate programs, a comprehensive grant program, and a capital fund program

NOTE D - CONTINGENCIES:

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

NOTE E - FIXED ASSETS:

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	20 Years
Buildings	20 Years
Building improvements	10 Years
Non-dwelling structures	20 Years
Equipment	3-7 Years

Low Rent	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Land	\$165,000	\$0	\$0	\$165,000
Buildings	7,095,712	482,319	4,869,235	2,226,477
Furniture & Equipment – Administration	142,981	5,980	132,481	10,500
Leasehold Improvements	605,278	60,528	333,462	271,816
Total Low Rent	\$8,008,971	\$548,827	\$5,335,178	\$2,673,793

Comprehensive Grant Program	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Buildings	\$1,005,776	\$38,347	\$83,084	\$922,692
Furniture & Equipment - Dwellings	159,293	20,138	43,633	115,660
Furniture & Equipment – Administration	33,500	4,235	9,176	24,324
Leasehold Improvements	347,813	19,010	41,189	306,624
Total CGP	\$1,546,382	\$81,730	\$177,082	\$1,369,300

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

Capital Fund Program	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Buildings	\$22,904	\$0	\$0	\$22,904
Furniture & Equipment - Dwellings	8,375	0	0	8,375
Leasehold Improvements	16,220	0	0	16,220
Total CFP	\$47,499	\$0	\$0	\$47,499

Section 8 Vouchers	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Furniture & Equipment – Administration	\$18,551	\$0	\$18,551	\$0
Leasehold Improvements	1	0	1	0
Total Section 8	\$18,552	\$0	\$18,552	\$0

Total Fixed Assets	\$9,621,404	\$630,557	\$5,530,812	\$4,090,592
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The capitalization limit is \$5,000.

All land and building are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - LONG-TERM DEBT:

To provide for the development and modernization of low-rent housing units, the PHA issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the authority, and accordingly, have not been reported in the accompanying financial statements. The amount of this debt that has been reclassified to HUD Equity is \$0.

NOTE G - RETIREMENT PLAN:

The employee defined contribution plan was suspended in June 2000 pursuant to the Operational Improvement Plan accepted May 30, 2000.

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE I - USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE J - PRIOR PERIOD ADJUSTMENTS:

Description	Low Rent Public Housing	Section 8 Voucher Program	Total
Balance Sheet Analysis	\$(778)	\$(3,687)	\$(4,465)
Equity Transfer from Low Rent to CGP	21,394	-	21,394
Adjust ACC FYE 9/30/00	-	1,395	1,395
Total	\$20,616	\$(2,292)	\$18,324

NOTE K - INTERFUND RECEIVABLES / PAYABLES:

Program	Interprogram Due From	Interprogram Due To
Low Rent Public Housing	\$52,715	\$1,137
Public Housing CIAP	1,137	
PHDEP		4,482
Section 8 Rental Voucher Program		48,233
Totals	\$53,852	\$53,852

Housing Authority of the City of Morgan City
Notes to Financial Statements
Fiscal Year Ending September 30, 2001
(continued)

NOTE L - COMPENSATED ABSENCES:

At September 30, 2001, employees of the PHA have accumulated and vested \$41,721 of employee leave benefits, computed in accordance with GASB Codification Section C60. The balance of accrued compensated absences at September 30, 2001 was 41,721, with \$6,905 recorded as a current obligation and \$34,816 recorded as a non-current obligation.

**Housing Authority of the City of Morgan City
Morgan City, Louisiana
Expenditures of Federal Awards
For Fiscal Year Ending September 30, 2001**

**SCHEDULE I
Page 1 of 1**

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
14.850a	Low Rent Public Housing	\$ 564,262
14.854	Public and Indian Housing Drug Elimination Program	60,596
14.855	Section 8 Rental Voucher Program	439,114
14.857	Section 8 Rental Certificate Program	33,299
14.859	Public Housing Comprehensive Grant Program	104,860
14.872	Public Housing Capital Fund Program	47,499
	Total Federal Expenditures	<u>\$ 1,249,630</u>

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combining Balance Sheet - All Funds
As of September 30, 2001

SCHEDULE II
Page 1 of 2

	Public Housing Programs			PIH		Section 8 Programs			Total
	Low Rent	GCP	CFP	Elimination	Drug	Rental Vouchers	Rental Certificates		
<u>Assets</u>									
Current Assets:									
Cash - Unrestricted	\$ 28,952	\$ -	\$ -	\$ -	\$ -	\$ 159,964	\$ -	\$ -	\$ 188,916
Cash - Restricted	-	-	-	-	-	-	-	-	-
Total Cash	\$ 28,952	\$ -	\$ -	\$ -	\$ -	\$ 159,964	\$ -	\$ -	\$ 188,916
Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable - HUD Other Projects	-	-	-	-	4,482	-	-	-	4,482
Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-
Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-
Accounts Receivable - Tenants Dwelling Rents	2,067	-	-	-	-	-	-	-	2,067
Allowance for Doubtful Accounts - Dwelling Rents	(83)	-	-	-	-	-	-	-	(83)
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
Total Accounts Receivable, Net of Allowance	\$ 1,984	\$ -	\$ -	\$ -	\$ 4,482	\$ -	\$ -	\$ -	\$ 6,466
Interprogram Due From Investments - Unrestricted	\$ 52,715	\$ 1,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,852
Prepaid Expenses and Other Assets	125,452	-	-	-	-	-	-	-	125,452
Inventories	1,157	-	-	-	-	-	-	-	1,157
Total Other Assets	\$ 179,324	\$ 1,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,451
Total Current Assets	\$ 210,260	\$ 1,137	\$ -	\$ -	\$ 4,482	\$ 159,964	\$ -	\$ -	\$ 375,843
Noncurrent Assets:									
Land	\$ 165,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,000
Buildings	7,095,712	1,005,776	22,904	-	-	-	-	-	8,124,392
Furniture, Equipment & Machinery - Dwellings	-	159,293	8,375	-	-	-	-	-	167,668
Furniture, Equipment & Machinery - Administration	142,981	33,500	-	-	-	18,551	-	-	195,032
Leasehold Improvements	605,278	347,813	16,220	-	-	1	-	-	969,312
Accumulated Depreciation	(5,335,178)	(177,082)	-	-	-	(18,552)	-	-	(5,530,812)
Construction In Progress	-	-	-	-	-	-	-	-	-
Total Fixed Assets, Net of Accumulated Depreciation	\$ 2,673,793	\$ 1,369,300	\$ 47,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,090,592
Other Assets	\$ 24,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,108
Total Noncurrent Assets	\$ 2,697,901	\$ 1,369,300	\$ 47,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,114,700
Total Assets	\$ 2,908,161	\$ 1,370,437	\$ 47,499	\$ 4,482	\$ -	\$ 159,964	\$ -	\$ -	\$ 4,490,543

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combining Balance Sheet - All Funds
As of September 30, 2001

SCHEDULE II
Page 2 of 2

Liabilities and Equity	Public Housing Programs			PIH		Section 8 Programs		Total
	Low Rent	GCP	CFP	Drug Elimination	Rental Vouchers	Rental Certificates		
Current Liabilities:								
Accrued Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accrued Wage/Payroll Taxes Payable	8,643	-	-	-	-	-	-	8,643
Accounts Payable < 90 Days	30,407	-	-	-	-	-	-	30,407
Accounts Payable - HUD PHA Programs	-	1,137	-	-	87,164	-	-	88,301
Tenant Security Deposits	-	-	-	-	-	-	-	-
Other Current Liabilities	29,861	-	-	-	-	-	-	29,861
Current Portion of LT Debt - Capital Projects	6,905	-	-	-	-	-	-	6,905
Accrued Liabilities - Other	-	-	-	-	-	-	-	-
Interprogram Due To	3,745	-	-	-	-	-	-	3,745
Total Current Liabilities	1,137	-	-	4,482	48,233	-	-	53,852
Noncurrent Liabilities:	\$ 80,698	\$ 1,137	\$ -	\$ 4,482	\$ 135,397	\$ -	\$ -	\$ 221,714
Accrued Compensated Absences - Noncurrent	\$ 34,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,816
Noncurrent Liabilities - Other	149,514	-	-	-	-	-	-	149,514
Total Noncurrent Liabilities	\$ 184,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,330
Total Liabilities	\$ 265,028	\$ 1,137	\$ -	\$ 4,482	\$ 135,397	\$ -	\$ -	\$ 406,044
Equity:								
Project Notes (HUD)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Long-term Debt - HUD Guaranteed	-	-	-	-	-	-	-	-
Net HUD PHA Contributions	2,673,793	1,278,638	-	-	-	-	-	3,952,431
Other Contributions	-	-	-	-	-	-	-	-
Total Contributed Capital	\$ 2,673,793	\$ 1,278,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,952,431
Undesignated Fund Balance/Retained Earnings	\$ (30,660)	\$ 90,662	\$ 47,499	\$ -	\$ 24,567	\$ -	\$ -	\$ 132,068
Total Equity	\$ 2,643,133	\$ 1,369,300	\$ 47,499	\$ -	\$ 24,567	\$ -	\$ -	\$ 4,084,499
Total Liabilities and Equity	\$ 2,908,161	\$ 1,370,437	\$ 47,499	\$ 4,482	\$ 159,964	\$ -	\$ -	\$ 4,490,543

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combining Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending September 30, 2001

SCHEDULE III
Page 1 of 2

	<u>Public Housing Programs</u>			<u>PIH</u>		<u>Section 8 Programs</u>			<u>Total</u>
	<u>Low Rent</u>	<u>GCP</u>	<u>CFP</u>	<u>Drug Elimination</u>	<u>Vouchers</u>	<u>Rental Certificates</u>	<u>Rental</u>	<u>Certificates</u>	
Revenues:									
Net Tenant Rental Revenue	\$ 536,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536,996
Net Tenant Revenue - Other	-	-	-	-	-	-	-	-	-
Total Tenant Rental Revenue	\$ 536,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536,996
HUD PHA Grants	\$ 564,262	\$ 14,198	\$ -	\$ -	\$ 60,596	\$ 439,114	\$ 33,299	\$ -	\$ 1,111,469
Capital Grants	-	90,662	47,499	-	-	-	-	-	138,161
Gain/Loss on Sale of Fixed Assets	1,002	-	-	-	-	-	-	-	1,002
Investment Income - Unrestricted	46	-	-	-	-	-	-	-	46
Other Revenue	71,873	-	-	-	-	-	-	-	71,873
Total Other Revenue	\$ 637,183	\$ 104,860	\$ 47,499	\$ -	\$ 60,596	\$ 439,114	\$ 33,299	\$ -	\$ 1,322,551
Total Revenue	\$ 1,174,179	\$ 104,860	\$ 47,499	\$ -	\$ 60,596	\$ 439,114	\$ 33,299	\$ -	\$ 1,859,547
Operating Expenses:									
Administrative Salaries	\$ 125,576	\$ -	\$ -	\$ -	\$ 28,746	\$ -	\$ 6,743	\$ -	\$ 161,065
Auditing Fees	(5,341)	-	-	-	-	-	-	-	(5,341)
Compensated Absences	25,882	-	-	-	-	-	507	-	28,550
Employee Benefit Contributions-Administrative	79,807	14,198	-	-	60,596	-	4,269	-	177,069
Other Operating - Administrative	-	-	-	-	-	-	-	-	-
Tenant Services-Salaries	-	-	-	-	-	-	-	-	-
Employee Benefit Contributions-Tenant Services	-	-	-	-	-	-	-	-	-
Tenant Services-Other	-	-	-	-	-	-	-	-	-
Water	49,655	-	-	-	-	-	-	-	49,655
Electricity	197,855	-	-	-	-	-	-	-	197,855
Gas	149,366	-	-	-	-	-	-	-	149,366
Other Utilities Expense	50,038	-	-	-	-	-	-	-	50,038
Ordinary Maintenance & Operations-Labor	118,920	-	-	-	-	-	-	-	118,920
Ordinary Maintenance & Operations-Materials	32,926	-	-	-	-	-	-	-	32,926
Ordinary Maintenance & Operations-Contract	53,583	-	-	-	-	-	-	-	53,583
Employee Benefit Contributions-Maintenance	24,866	-	-	-	-	-	-	-	24,866
Protective Services - Labor	-	-	-	-	-	-	-	-	-
Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-	-
Protective Services - Other	-	-	-	-	-	-	-	-	-
Employee Benefit Contributions-Protective Services	-	-	-	-	-	-	-	-	-
Insurance Premiums	213,455	-	-	-	-	-	-	-	213,455
Other General Expenses	37,768	-	-	-	-	-	-	-	37,768
Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-
Bad Debt - Tenants Rent	14,235	-	-	-	-	-	-	-	14,235
Interest Expense	-	-	-	-	-	-	-	-	-
Total Operating Expenses Before Depreciation	\$ 1,168,591	\$ 14,198	\$ -	\$ -	\$ 60,596	\$ 49,106	\$ 11,519	\$ -	\$ 1,304,010

See notes to financial statements

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Combining Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending September 30, 2001

SCHEDULE III
Page 2 of 2

	<u>Public Housing Programs</u>			<u>PIH</u>		<u>Section 8 Programs</u>			<u>Total</u>
	<u>Low Rent</u>	<u>GCP</u>	<u>CFP</u>	<u>Drug Elimination</u>	<u>Rental Vouchers</u>	<u>Rental Certificates</u>			
Excess Revenue Over Expenses Before Depreciation	\$ 5,588	\$ 90,662	\$ 47,499	\$ -	\$ 390,008	\$ 21,780		555,537	
Extraordinary Maintenance	-	-	-	-	-	-		-	
Casualty Losses - Non-Capitalized	(638)	-	-	-	-	-		(638)	
Housing Assistance Payments	-	-	-	-	388,633	29,252		417,885	
Depreciation Expense	548,827	81,730	-	-	-	-		630,557	
Operating Transfers - In	-	-	-	-	18,151	-		18,151	
Operating Transfers - Out	-	-	-	-	-	(18,151)		(18,151)	
Net Operating Income (Loss) After Depreciation	\$ (542,601)	\$ 8,932	\$ 47,499	\$ -	\$ 19,526	\$ (25,623)	\$ -	\$ (492,267)	
Beginning Equity @ 9/30/00	\$ 3,165,118	\$ 1,360,368	\$ -	\$ -	\$ 7,333	\$ 25,623	\$ -	\$ 4,558,442	
Net Operating Income (Loss) After Depreciation	(542,601)	8,932	47,499	-	19,526	(25,623)		(492,267)	
Prior Period Adjustments	20,616	-	-	-	(2,292)	-		18,324	
Capital Outlays Enterprise Fund	-	-	-	-	-	-		-	
Ending Equity @ 9/30/01	\$ 2,643,133	\$ 1,369,300	\$ 47,499	\$ -	\$ 24,567	\$ -	\$ -	\$ 4,084,499	

See notes to financial statements

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
The Housing Authority of the City of Morgan City
Morgan City, Louisiana

I have audited the financial statements of The Housing Authority of the City of Morgan City (PHA), as of and for the year ended September 30, 2001 and have issued my report thereon dated March 27, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States. In our report on the financial statements, our opinion was qualified because, as described in the third paragraph, certain material account balances could not be verified. In addition, that paragraph described a scope limitation.

Compliance

As part of obtaining reasonable assurance about whether the PHA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2001-1 through 2001-5.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the PHA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design of operation of the internal control over financial reporting that, in my judgment, could adversely affect the PHA's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2001-1 through 2001-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider finding numbers 2001-01 through 2001-5 to be material weaknesses.

This report is intended for the information of the audit committee, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.



Signature Valid

Russell J. Recotta, Jr.

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Jr., c=US
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Russell J. Recotta, Jr., CPA

March 27, 2002

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
The Housing Authority of the City of Morgan City
Morgan City, Louisiana

Compliance

I have audited the compliance of The Housing Authority of the City of Morgan City (PHA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2001. The PHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PHA's management. My responsibility is to express an opinion on the PHA's compliance based on my audit.

I conducted my audit of compliance in accordance with: generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the PHA's compliance with those requirements.

As described in finding numbers 2001-1a through 2001-5a, in the accompanying Schedule of Findings and Questioned Costs, the PHA did not comply with requirements regarding allowable costs-cost principles, eligibility, real property acquisition, equipment and real property management, and procurement that are applicable to its low income housing, section 8, comprehensive grants, and programs. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with requirements applicable to these programs.

In my opinion except for the noncompliance described in the preceding paragraph, the PHA complied in all material respects with the requirements referred to above that are applicable to each of its major programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of the PHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the PHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the PHA's ability to administer a major federal program in accordance with applicable requirements of law, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of findings and questioned costs as finding numbers 2001-1a through 2001-5a.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matter in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider finding numbers 2001-1a through 2001-5a to be material weaknesses.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.



Russell J. Recotta, Jr.

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Russell J. Recotta, Jr., CPA

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Jr., c=US
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March 27, 2002

**Housing Authority of the City of Morgan City
Schedule of Audit Adjusting Journal Entries
Fiscal Year Ending September 30, 2001**

None

**Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001**

Finding Number 00-1:

The current audit is late per State and Federal law. This finding is cleared.

Finding Number 00-2:

We were unable to confirm certain material account balances. This finding is repeated as finding number 2001-1.

Finding Number 00-3:

There exists a Cooperation Agreement between the PHA and the City of Morgan City dated October 13, 1950, as amended that same day. There also exists a Community Services Agreement between the same parties dated September 15, 1967. It appears that the City has not been providing the required services and that the PHA has consequently withheld Payment in Lieu of Taxes (PILOT). This finding is repeated as finding number 2001-2.

Finding Number 00-4:

During the period when the prior fee accountant was under contract, a number of bank statements are not available. This finding is cleared.

No board minutes were provided for December 1999, January 2000 through April 2000, and June 2000 through August 2000, and none of the board minutes were published. We accounted for and reviewed all board minutes, with the exception of November 2000, for the fiscal year ending September 30, 2001. This finding is cleared.

The test of employee files indicates that I-9 forms are not present in the files and W-4 forms are not current. We did find I-9 forms in the employee folders; however, they were not filled out completely. This finding is cleared.

The low-rent operating budget was overrun in six of twelve controllable categories in excess of 5% (it is noted that the overall actual expenditures was better than budgeted expenditures by \$20,451) at September 30, 2000. This finding is repeated as finding number 2001-3.

During the fiscal year, a number of checks cleared the bank before the check copies were provided to the fee accountant for coding and recording. This finding is cleared.

Annual and sick leave records reveal the following unusual patterns: (a) one staff member did not record any annual leave for five consecutive years, and (b) one staff member did not record any annual leave for four consecutive years and had

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001
(continued)

one other year with no annual leave. After reviewing annual, sick, and comp time records during the current audit period, it appears that staff members have been properly utilizing accrued time. This finding is cleared.

Finding Number 00-5:

The PHA previously had published hours from 7:30am to 4:00pm resulting in a 37.5 hour week per person, while being paid for 40 hours per week. The PHA has subsequently established new office hours from 7:00 a.m. to 4:00 p.m. with a one hour lunch break. We note that the employee manual has not yet been revised to reflect this change. This finding is cleared.

Finding Number 00-6:

Of the nine low rent tenant files tested the following deficiencies are noted: eight lacked adequate documentation for birth certificates and social security cards; one included an undated notice for lead based paint; one included a personal declaration form listing one resident less than the lease agreement. Of the five Section 8 tenant files tested the following deficiencies are noted: four lacked adequate documentation for birth certificate and social security card (one also had an expired resident alien card); one included a HAP payment calculation different than the amount actually paid to the landlord and the landlord of record was not the same person to whom the HAP check was actually issued; one did not contain documentation to support the HAP payments made to the landlord. This finding is repeated as finding number 2001-4.

Finding Number 00-7:

The employment contract for one staff member includes a number of issues that require further inquiry, including the following, (1) the contract is for a five year period, (2) the contract does not reflect the amount of salary paid as of the date of the contract execution (it reflects the minimum amount of salary), (3) the contract does not require full time work yet the amount actually paid the staff member seems out of range for part time employment (this pay range is a subjective matter). As of the last day of our fieldwork, the Office of Inspector General For Audit (OIG) had not issued their report concerning this finding; we, therefore, are not clearing or repeating this finding. We recommend that the subsequent auditor review the OIG report upon completion.

Finding Number 00-8:

The PHA paid \$31,152 of late fees to Morgan City utility department last year. The PHA also paid \$31,828 in late fees to Morgan City Utility Department this year. We realize that the PHA may have violated federal regulations by paying these late fees. On July 11, 2001, the PHA paid \$204,480.42 to the City of

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001
(continued)

Morgan City, which included payment of all utilities, including any and all past due amounts and late payment fees. As of the last day of our fieldwork, the PHA has been paying utilities on a timely basis; therefore, we consider this finding to be cleared.

Finding Number 00-9:

A PHA staff member was hired on a part-time basis by a firm that does contract work for the PHA. This finding is cleared.

Finding 00-1a:

Name of Program - Low Income Housing, Section 8, CGP, PHDEP

CFDA Number - 14.850a, 14.855, 14.857, 14.859, 14.854

Name of Federal Agency - HUD

Federal Award Number - 2000 Budget Year

Criteria - The audit must be delivered within six months of the fiscal year end to comply with state law and within nine months of the fiscal year end to comply with federal law.

Condition(s) - The audit is not being completed to meet these deadlines. This year, the delay was not caused by the PHA but by the auditor who was timely engaged but cancelled the agreement late due to his heavy workload. The PHA had no control over this matter. This finding is cleared.

Finding 00-2a:

Name of Program - Low Rent, CGP

CFDA Number - 14.850a, 14.859

Name of Federal Agency - HUD

Federal Award Number - 2000 Budget Year

Criteria - The PHA should conduct an annual physical inventory and have the general ledger adjusted to it. The PHA should provide adequate documentation to the fee accountant during the year for the fee accountant to record accurate subsidiary ledgers.

Condition(s) - We were unable to confirm certain material account balances. This finding is repeated as finding number 2001-1a.

Finding 00-3a:

This item is intentionally left blank

Finding 00-4a:

Name of Program - Low Rent, Section 8, CGP, PHDEP

CFDA Number - 14.850a, 14.855, 14.857, 14.859, 14.854

Name of Federal Agency - HUD

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001
(continued)

Federal Award Number - 2000 Year

Criteria - Internal controls should provide for procedures whereby (1) all bank statements are retained, (2) all board minutes be transcribed, retained, and published per State law, (3) employee files should be complete, (4) budget overruns exceeding 5% in any line item should be precluded, (5) all checks written should be provided to the fee accountant in a timely fashion, (6) annual and sick leave and comp time records should be accurate (while the absence of annual leave taken for the consecutive years mentioned above may be accurate it does not seem reasonable to us), (7) training and travel costs, as well as eligible reimbursement for training and travel costs from Southwest NAHRO were not properly documented.

Condition(s)

- * During the period when the prior fee accountant was under contract, a number of bank statements are not available. This finding is cleared.
- * No board minutes were provided for December 1999, January 2000 through April 2000, and June 2000 through August 2000, and no board minutes were published. We accounted for and reviewed all board minutes, with the exception of November 2000, for the fiscal year ending September 30, 2001. This finding is cleared.
- * The test of employee files indicates that I-9 forms are not present in the files and W-4 forms are not current. This finding is cleared.
- * The low-rent operating budget was overrun in six of twelve controllable categories in excess of 5% (it is noted that the overall actual was better than budget by \$20,451). This finding is repeated as finding 2001-3a.
- * During the fiscal year, a number of checks cleared the bank before the check copies were provided to the fee accountant for coding and recording. This finding is cleared.
- * Annual and sick leave records reveal the following unusual patterns, (a) one staff member did not record any annual leave for five consecutive years, (b) one staff member did not record any annual leave for four consecutive years and had one other year with no annual leave. After reviewing annual, sick, and comp time records during the current audit period, it appears that staff members have been properly utilizing accrued time. This finding is cleared.

Finding 00-5a:

Name of Program - Low Rent, Section 8, CGP, PHDEP

CFDA Number - 14.850a, 14.855, 14.857, 14.859, 14.854

Name of Federal Agency - HUD

Federal Award Number - 2000 Year

Criteria - PHA staff should be paid for the number of hours actually worked.

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001
(continued)

Condition(s) - The PHA previously had published hours from 7:30am to 4:00pm resulting in a 37.5 hour week per person, while being paid for 40 hours per week. The PHA has subsequently established new office hours from 7:00 a.m. to 4:00 p.m. with a one hour lunch break. We note that the employee manual has not yet been revised to reflect this change. This finding is cleared.

Finding 00-6a:

Name of Program - Low Rent, Section 8
CFDA Number - 14.850a, 14.855, 14.857
Name of Federal Agency - HUD
Federal Award Number - 2000 Year

Criteria - Tenant files should contain all of the necessary documentation to support the requirements of the Low Rent and Section 8 programs.

Condition(s) - Of the nine low rent tenant files tested the following deficiencies are noted: eight lacked adequate documentation for birth certificates and social security cards; one included an undated notice for lead based paint; one included a personal declaration form listing one resident less than the lease agreement. Of the five Section 8 tenant files tested the following deficiencies are noted: four included inadequate documentation for birth certificates and social security card (one also had an expired resident alien card); one included a HAP payment calculation different than the amount actually paid to the landlord and the landlord of record was not the same person to whom the HAP check was actually issued; one did not contain documentation to support the HAP payments made to the landlord. This finding is repeated as finding number 2001-4a.

Finding 00-7a:

Name of Program - Low Rent, Section 8
CFDA Number - 14.850a, 14.855, 14.857
Name of Federal Agency - HUD
Federal Award Number - 2000 Year

Criteria - (1) The result of my inquiry of the HUD Office of Inspector General for Audit (OIG) results in their opinion that this contract may be regulated by HUD Procurement Policy Handbook 7460.1, as amended. It may be that the contract in question must have prior HUD approval for any contract in excess of two years. This contract is for a five year period and we have not been provided with documentation of prior HUD approval, (2) while a mathematical computation of the original five year contract in addition to this five year contract in question results in a salary that would be compatible with the staff member's salary at the present time, it seems that the contract should have enumerated the salary at the time of execution of the second contract, rather than the minimum amount, (3)

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
Fiscal Year Ending September 30, 2001
(continued)

my subjective opinion is that the employment at the rate of pay would better suit full time employment rather than less than full time employment.

Condition(s) - The employment contract for one staff member includes a number of issues that require further inquiry, including the following, (1) the contract is for a five year period, (2) the contract does not reflect the amount of salary paid as of the date of the contract execution (it reflects the minimum amount of salary), (3) the contract does not require full time work yet the amount actually paid the staff member seems out of range for part time employment (this pay range is a subjective matter). As of the last day of our fieldwork, the Office of Inspector General For Audit (OIG) had not issued their report concerning this finding; we, therefore, are not clearing or repeating this finding. We recommend that the subsequent auditor review the OIG report upon completion.

Finding 00-8a:

Name of Program - Low Rent, Section 8

CFDA Number - 14.850a

Name of Federal Agency - HUD

Federal Award Number - 2000 Year

Criteria – In our opinion, late fees paid due to negligence are not eligible expenditures.

Condition(s) - The PHA paid \$31,152 of late fees to Morgan City utility department last year. The PHA also paid \$31,828 in late fees to Morgan City Utility Department this year. We realize that the PHA may have violated federal regulations by paying these late fees. On July 11, 2001, the PHA paid \$204,480.42 to the City of Morgan City, which included payment of all utilities, including any and all past due amounts and late payment fees. As of the last day of our fieldwork, the PHA has been paying utilities on a timely basis; therefore, we consider this finding to be cleared.

Finding 00-9a:

We are not including finding 00-9 as an A-133 finding because the amount in question was less than the \$10,000 A-133 threshold.

Finding 10-00a:

Name of Program - Low Income Housing

CFDA Number - 14.850a

Name of Federal Agency - HUD

Federal Award Number - 2000 Award Year

Criteria – The PHA must submit to HUD on an annual basis the Management Assessment Subsystem (MASS), which is an important tool for HUD to use in

Housing Authority of the City of Morgan City
Schedule of Prior Audit Findings
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evaluating PHA performance. The submission must be accurate and supported by adequate documentation.

Condition(s) - The testing Sub-Indicator 1: Vacant Unit Turnaround Time, we found that the supporting documentation did not agree with the submission. We were provided no documentation to support the total number of turn around days, number exempted for the capital fund, number exempted for other reasons, and the average number of days units were in down time. The supporting documentation for the average number of days in lease up time indicates that it took 38 days, however, the number entered on the submission was 3 days. Since the average number of days for all reasons was entered as 7.15, it appears that the submission was incorrect. This finding is cleared.

**Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001**

Per A-133, Section 505(d)

1. Summary Schedule of Auditors Results:

- i. The report includes a qualified opinion on the financial statements.
- ii. There were reportable conditions in internal controls found that are required to be disclosed at the financial statement level.
- iii. The audit disclosed noncompliance that is material to the financial statements.
- iv. Reportable conditions in internal control over major programs were disclosed by the audit.
- v. The compliance report issued for major programs was qualified.
- vi. The report disclosed audit findings required to be reported under Section 510a of A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.850a	Low Rent Public Housing
14.855	Section 8 Rental Voucher Program
14.856	Section 8 Rental Certificate Program
14.859	Public Housing Comprehensive Grant Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- ix. The auditee was not considered a low risk auditee.

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001
(continued)

2. Finding relating to the financial statements required to be reported with GAGAS are as follows:

Finding Number 2001-1:

Statement of Conditions - We were unable to confirm certain material account balances. Low Rent fixed assets totaled \$8,045,900. While the depreciation schedules and attached worksheets appear to properly document fixed assets, the PHA did not properly conduct a physical inventory.

Criteria - The PHA should conduct an annual physical inventory and have the general ledger adjusted to it. The PHA should provide adequate documentation to the fee accountant during the year for the fee accountant to record accurate subsidiary ledgers.

Effect - The PHA did not adequately control assets. We issued a qualified opinion on the financials partially because of this.

PHA Response - We agree with this finding.

Finding Number 2001-2:

Statement of Conditions - There exists a Cooperation Agreement between the PHA and the City of Morgan City dated October 13, 1950, as amended that same day. There also exists a Community Services Agreement between the same parties dated September 15, 1967. The agreements require each party to do certain things. Requirements of the City of Morgan City (City) that it appears the City is not complying with include (1) "...accept the dedication of all interior streets, roads, alleys, and adjacent sidewalks...storm and sanitary sewer mains...", (2) "...provide ...watermains, and storm and sanitary sewer mains, leading to such Projects...", (3) "...assume the financial responsibility of proration of the Community Center and further agrees to provide (a) competent staff and supervision..., (b) furnish sufficient materials and supplies as may be necessary to carry out the program and be solely responsible for the care and maintenance of all equipment and furnishings of the Community Center, (c) utility expenses, and (d) janitor service and any other service necessary to the operation of the Community Center."

It appears that the City has not been providing any of the above referenced services and that the PHA has been withholding Payment in Lieu of Taxes (PILOT) in because of this.

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001

(continued)

Criteria - These binding agreements should be adhered too by both parties. We feel that the PHA should consider litigation requiring specific performance rather than withholding PILOT.

Effect - The PHA has had to pay more than the PILOT withheld to make up for the City's lack of following the agreements.

PHA Response - We agree with the auditor on this finding.

Finding Number 2001-3:

Statement of Conditions - The low-rent operating budget was overrun in six of twelve controllable categories in excess of 5%. (Note: the overall actual expenditures were better than budgeted expenditures by \$188,863; the Executive Director did try to have a board meeting to adopt a revised budget but was unable to get a quorum.)

Criteria - Internal controls should provide for procedures whereby budget overruns exceeding 5% in any line item should be precluded.

Effect - The PHA violated State law in the budget overruns.

Cause - The PHA does not have or is not following proper internal control policies.

PHA Response - We concur with this finding.

Finding Number 2001-4:

Statement of Conditions - Of the ten Low Rent tenant files tested, we note that four tenant files were missing proper identification; there was, however, in each file written notice from the housing authority requesting the required identification from the tenant. Therefore, there is no finding.

Of the eleven Section 8 tenant files tested, the following deficiencies are noted: two (2) lacked rent reasonableness calculations; one (1) did not properly reflect a correct rent calculation (all income was not recorded) although this happened for only one month. When the error was found and corrected the prior month had not been corrected. This lease was also improperly changed by using liquid paper to correct the rent amount; one (1) file did not have the new landlord sign the lease agreement; one (1) file was missing or had not executed the following documents: asset disclosure, personal declaration form, privacy act notice, notice of lead base paint, and

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001
(continued)

current lease agreement. The Section 8 waiting list is not being properly maintained in order to support the process of notifying applicants for eligibility.

Criteria - Tenant files should contain all of the necessary documentation to support the requirements of the Section 8 programs.

Effect - The PHA is not in compliance with HUD regulations.

Cause - PHA staff is not following HUD guidelines regarding the Section 8 Programs.

PHA Response - We concur with this finding.

Finding Number 2001-5:

Statement of Conditions - The PHA has not properly followed their Procurement Policy.

Criteria - The Procurement Policy states that for small purchases over \$1,000 but not exceeding \$25,000, no less than three (3) offers shall be solicited to submit price quotations.

Effect - The PHA may not be in full compliance with applicable federal standards, HUD regulations, and state and local laws.

PHA Response - We concur with this finding.

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001
(continued)

3. Findings and questioned costs for Federal awards as defined in A-133, Section 510a all with HUD oversight:

Finding 2001-1a:

1. Name of Program - Low Rent, CGP
CFDA Number - 14.850a, 14.859
Name of Federal Agency - HUD
Federal Award Number - 2001 Budget Year
2. Criteria - The PHA should conduct an annual physical inventory and have the general ledger adjusted to it. The PHA should provide adequate documentation to the fee accountant during the year for the fee accountant to record accurate subsidiary ledgers.
3. Condition - We were unable to confirm certain material account balances. Low Rent fixed assets total \$8,045,900. While the depreciation schedules and attached worksheets, appear to properly document fixed assets, the PHA did not properly conduct a physical inventory.
4. Amount of questioned costs and how they were computed – None
5. The finding seems to only relate to these 2 programs.
6. Effect - The PHA did not adequately control assets. We issued a qualified opinion on the financials partially because of this.
7. Recommendations to prevent future occurrences - Conduct an annual physical inventory and have the fee accountant balance the general ledger to it. Properly document disbursements so the fee accountant can record grant expenditures in the proper subsidiary ledgers.
8. PHA officials agree with this finding.

Finding 2001-2a:

This item is intentionally left blank.

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending September 30, 2001
(continued)

Finding 2001-3a:

1. Name of Program - Low Rent
CFDA Number - 14.850a
Name of Federal Agency - HUD
Federal Award Number - 2001 Year
2. Criteria - Internal controls should provide for procedures whereby budget overruns exceeding 5% in any line item should be precluded.
3. Condition - The low-rent operating budget was overrun in six of twelve controllable categories in excess of 5%. (Note: the overall actual expenditures were better than budgeted expenditures by \$188,863; the Executive Director did try to have a board meeting to adopt a revised budget but was unable to get a quorum.)
4. Amount of questioned costs and how they were computed - NONE
5. The internal control conditions described by this finding appear to be limited to Low Rent.
6. Effect - The PHA violated state law with the budget overruns.
7. Recommendations to prevent future occurrences - The Executive Director should review the income and expense report with the Board of Commissioners on a monthly basis in order to prevent budget overruns.
8. PHA officials agree with this finding.

Finding 2001-4a:

1. Name of Program - Section 8
CFDA Number - 14.855, 14.857
Name of Federal Agency - HUD
Federal Award Number - 2001 Year
2. Criteria - Tenant files should contain all of the necessary documentation to support the requirements of the Section 8 programs.
3. Condition - Of the ten Low Rent tenant files tested, we note that four tenant files were missing proper identification; there was, however, in each file written notice from the housing authority requesting the required identification from the tenant. Therefore, there is no finding. Of the eleven

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
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(continued)

Section 8 tenant files tested, the following deficiencies are noted: two (2) lacked rent reasonableness calculations; one (1) did not properly reflect a correct rent calculation (all income was not recorded) although this happened for only one month. When the error was found and corrected the prior month had not been corrected. This lease was also improperly changed by using liquid paper to correct the rent amount; one (1) file did not have the new landlord sign the lease agreement; one (1) file was missing or had not executed the following documents: asset disclosure, personal declaration form, privacy act notice, notice of lead base paint, and current lease agreement. The Section 8 waiting list is not being properly maintained in order to support the process of notifying applicants for eligibility.

4. Amount of questioned costs and how they were computed – None
5. The PHA administers 330 units of Low Rent and 116 units of Section 8.
6. Effect -The PHA is not in compliance with HUD regulations.
7. Recommendations to prevent future occurrences - PHA staff should review all tenant files and make the necessary corrections.
8. PHA officials agree with this finding.

Finding 2001-5a:

1. Name of Program - Low Rent, CGP
CFDA Number – 14.850a, 14.859
Name of Federal Agency - HUD
Federal Award Number - 2001 Year
2. Criteria - The Procurement Policy states that for small purchases over \$1,000 but not exceeding \$25,000, no less than three (3) offers shall be solicited to submit price quotations.
3. Condition - The PHA has not properly followed their Procurement Policy.
4. Amount of questioned costs and how they were computed - None
5. This finding seems to relate to these programs.

Housing Authority of the City of Morgan City
Schedule of Current Audit Findings And Questioned Costs
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(continued)

6. Effect - The PHA may not be in full compliance with applicable federal standards, HUD regulations, and state and local laws.
7. Recommendations to prevent future occurrences – PHA staff should review procurement policies and follow procedures outlined in the policy.
8. PHA officials agree with this finding.

**Housing Authority of the City of Morgan City
Schedule of Corrective Action Plan
Fiscal Year Ending September 30, 2001**

Finding Number 2001-1 and 2001-1a:

Contact person responsible for action - Wendall Bogan

Anticipated completion date - June 30, 2002

Correction action planned - The PHA will conduct an annual physical inventory and have the fee accountant balance the general ledger to it, and properly document disbursements so the fee accountant can record grant expenditures in the proper subsidiary ledgers.

Finding Number 2001-2:

Contact person responsible for action - Board Chairperson

Anticipated completion date - June 30, 2002

Correction action planned – We will consult the new PHA attorney and follow his advise on how to handle this issue.

Finding Number 2001-3 and 2001-3a:

Contact person responsible for action - Wendall Bogan

Anticipated completion date - April 30, 2002

Correction action planned - The Executive Director will review the income and expense report with the Board of Commissioners on a monthly basis in order to prevent budget overruns.

Finding Number 2001-4 and 2001-4a:

Contact person responsible for action - Wendall Bogan

Anticipated completion date - June 30, 2002

Correction action planned - The PHA staff will review all tenant files and make the necessary corrections.

**Housing Authority of the City of Morgan City
Schedule of Corrective Action Plan
Fiscal Year Ending September 30, 2001**

Finding Number 2001-5 and 2001-5a:

Contact person responsible for action - Wendall Bogan

Anticipated completion date - April 1, 2002

Correction action planned - PHA staff will review procurement policies and follow procedures outlined in the policy.